

MINUTES

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY BOARD OF DIRECTORS MEETING - LOAN BUSINESS

January 18, 2006 - 12:00 P.M.

**Eighth & Main Building, 3rd Floor Conference Room
Richmond, Virginia**

- I. Voting members present: Andy Brownstein, Mike Eisenman, Hattie Hamlin, Bob Young (on behalf of The Honorable J. Braxton Powell), Jim Cheng, Jeff Jones, and Jack Stephens.

Others present: Scott Parsons, Jasen Eige (Senior Assistant Attorney General), Barbara Carter, Mary Jo Sisson-Vaughan, Patty Thorne, and Anna Mackley Cobb.

- II. Approval of Minutes - On a motion by Jeff Jones, seconded by Jack Stephens, the minutes of the December 14, 2005, Board of Directors Meeting - Loan Business were unanimously approved.

III. 501 c 3 Bond Application

- A. Children's Health Foundation, Inc. for the Benefit of Children's Hospital of the Kings Daughters, Inc. - City of Norfolk - \$78,000,000 - Anna Mackley Cobb presented to the Board this application for 501 c 3 bonds to finance the renovation and construction of three facilities, refund two bonds, and refinance two real estate loans.

IV. **PUBLIC HEARING**

- A. Children's Health Foundation, Inc. for the Benefit of Children's Hospital of the Kings Daughters, Inc. - City of Norfolk - \$78,000,000 501 c 3 Bond. On a motion by Bob Young, seconded by Mike Eisenman, the Board of Directors adopted an inducement resolution authorizing issuance of 501 c 3 bonds to finance the renovation and construction of three facilities, to refund two bonds issued in 1993 and 1998, and to refinance outstanding balance of two real estate loans. (Ms. Hamlin and Mr. Jones abstained from the vote.)

- V. Request for Increase in the Local Housing Tax-Exempt Bond Allocation Cap - Anna Mackley Cobb reviewed for the Board a request from National Commonlife Development to increase the limit on private activity bond allocations from local housing authorities from \$10 million to \$16 million per project for the January 1 to October 1 timeframe as indicated in the Private Activity Bond Allocation Guidelines. After discussion, the Board deferred the request until the next meeting so that staff can provide additional information in order to make an informed decision. Staff needs to find out when the last \$10 million limit was established, desires and needs of local authorities, what other states are doing, the 10-year cycle with interest rates, and solicit comments from bond counsels.
- VI. Ratification of Virginia Capital Access Program Claim - On a motion by Jeff Jones, seconded by Jim Cheng, the Board of Directors unanimously approved the ratification of the payment of a claim under the Virginia Capital Access Program for the benefit of Branch Banking and Trust (BB&T).
- VII. Board Review and Ratification of Loans Approved/Declined by Staff - On a motion by Hattie Hamlin, seconded by Jack Stephens, the loan decisions of \$500,000 or less approved/declined by staff for December 2005 were unanimously ratified.
- VIII. Update on Magnox Acquisitions, Inc. - Patty Thorne updated the Board on the previous month's request from SunTrust Bank asking VSBFA to amend its repayment terms with Magnox Acquisitions, Inc. Ms. Thorne informed the Board that the company has received financing from an angel investor but recent environmental restrictions on solid waste products may prevent the company from continuing to operate.
- IX. Fund Accounting Report - The Board of Directors received the report on the status of the Authority's loan funds for its information. A question was raised concerning the default rate of the Department of Minority Business Enterprise's (DMBE) loan program. DMBE's program was explained to the Board and advised that it does not use any of the Financing Authority's monies. The Financing Authority administers the program from an accounting standpoint.
- X. Report on Two New VSBFA Programs – Community Reinvestment Program and New Markets Tax Credit Program - Several months ago, the Financing Authority entered into an agreement with a private capital entity, Community Reinvestment

Fund, to provide alternative funding sources for the Authority. Mary Jo Sisson-Vaughan presented to the Board information on two new programs now being offered by the Financing Authority. The Community Reinvestment Program (CRP) and the New Markets Tax Credit Program (NMTCP) are available to existing businesses that are either for profit or non-profit 501 (c) 3 organizations and offer owner occupied commercial real estate and capital equipment financing. The focus of NMTCP is on geographically disadvantaged areas and the CRP is either for disadvantaged business owners (women and minorities) or areas that might not meet the News Markets Tax Credit definition of being depressed and needing new development but meet a local, state, or regional definition. The Financing Authority serves as the loan originator and underwriter, bears no credit risk under the programs, and will receive the application fees and commitment fees as income. Recommendations on the loans will be made to the Community Reinvestment Fund and the Fund will actually make the credit, structuring, and pricing decisions. These are long term funding sources (as long as 25 years) that the Authority has never offered before.

- XI. Marketing Initiative – Second Half Loan Goals and Regional Outreach Efforts by Staff - Scott Parsons informed the Board that goals have been set for the second half of the year and staff will be marketing the Financing Authority and its programs more aggressively. The goal is to obtain 24 loans and fund \$6 million by June 30, 2006.

XII. Administrative Matters

- A. Resolution to Approve and Adopt By-Laws and Credit Guidelines - On a motion by Jack Stephens, seconded by Hattie Hamlin, the Board of Directors adopted the VSBFA By-Laws and the Credit Guidelines and Procedures Manual for 2006.
- B. Appointment of New Secretary of Commerce and Trade - Mr. Parsons announced to the Board that Patrick Gottschalk has been appointed by Governor Kaine as the new Secretary of Commerce and Trade to whom the Department of Business Assistance reports. The Board was also informed that Braxton Powell has been named the new state treasurer as the former treasurer and ex-officio Board member, Jody Wagner was appointed the new Secretary of Finance. Brief background information was given on each appointee.

- C. March 2006 Board Meeting - The March meeting is scheduled to be held during the spring break season when vacations are taken and the Board was asked by Mr. Parsons to let him know if there are scheduling conflicts so that date can be changed if necessary. Additionally, the Board was told that the new executive director of the Virginia Economic Development Partnership (VEDP), Jeff Anderson, has been invited to attend the March board of directors meeting. Mr. Anderson would like to learn about the financing programs offered in Virginia and to share with VSBFA some of his vision for what he'd like to see from a financing perspective. Mr. Parsons would like to find ways for the Authority and VEDP to work more closely in recruiting businesses to the state and offering help to larger existing businesses if possible. Mr. Parsons informed the Board of his hopes for this year of bringing new programs and opportunities to the Board and being more proactive on behalf of the Authority within the banking and economic development communities in order to be better prepared to go before the General Assembly next year.

- D. Legislative Outreach Initiative – Progress Reports from Directors - Scott Parsons updated the Board on the legislative outreach activities by several board members who have been successful in speaking with senators and delegates to solicit their support for a budget amendment and legislation on behalf of the Authority.

XIII. The meeting was adjourned.